

Message Text

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PASS EXIMBANK IMMEDIATE

E.O. 11652: N/A
TAGS: EFIN BENC KS
SUBJ: KECO'S SEONAE THERMAL POWER PROJECT: EXIMBANK P.C.
NUMBER 78-0-4156

REF: STATE 153170

1. JAPANESE EXIMBANK/MARUBENI TRADING CO. TERMS FOR THE
STEAM TURBINE GENERATOR EQUIPMENT PACKAGE IN DOLLARS ARE AS
FOLLOWS:

(A) 5 PERCENT OF CONTRACT WITHIN ONE MONTH OF CONTRACT AND
10 PERCENT ON DATE OF BILL OF LADING FOR EACH SHIPMENT.

(B) 85 PERCENT OF CONTRACT PAYABLE OVER 10 YEARS DATING
FROM THE BILL OF LADING DATE FOR FINAL MAJOR SHIPMENT OF
EACH UNIT IN 20 EQUAL PAYMENTS, THE FIRST OF WHICH SHALL
BE 6 MONTHS AFTER AFOREMENTIONED DATE.

(C) INTEREST RATE OF 7.75 PERCENT P/A ON OUTSTANDING BALANCE
DATING FROM B/L FOR EACH SHIPMENT.

(D) KDB OR KEB GUARANTEE REQUIRED.

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2. BIDDERS ON STEAM TURBINE GENERATORS ARE FUJI DENKI,
(\$12 MILLION), GENERAL ELECTRIC (\$22 MILLION), AND HITACHI
(\$23 MILLION). LAST DAY FOR IMPROVING PACKAGE IS JUNE 30.
G.E. BELIEVES THAT IF FINANCING WERE MADE COMPARABLE TO
THAT JAPANESE EXIM IT WOULD WIN BID IN THE EVENT FUJI IS
DISQUALIFIED. ACCORDING TO G.E., GROUNDS FOR DISQUALIFICA-

TION ARE THAT FUJI HAS BUILT ONLY THREE OF THE SIZE GENERATORS IN QUESTION IN WHICH ALL THE ROTATING PARTS WERE SEIMENS, AND ITS CLAIMS OF PAST EXPERIENCE ARE NOT BASED ON ITS OWN, BUT RATHER KRAFTWERK UNION AND SEIMENS EQUIPMENT.

3. STEAM BOILER BIDS BY COMBUSTION ENGINEERING (CE) (WITH HYUNDAI) AND HITACHI ARE VERY CLOSE WITH CE OFFERING LOWER PRICE. FOSTER WHEELER AND ITALIAN BIDS ARE OUT OF COMPETITION. JAPANESE FINANCING MAKES OVERALL COST OF HITACHI BID LOWER THAN THAT OF CE.

4. KECO'S TENTATIVE DATE FOR RANK ORDERING BOILER BIDS IS ALSO JUNE 30.

5. EMBASSY COMMENT: FUJI IS DUMPING BECAUSE, ACCORDING TO GE EXPERTS, THE 200 MWE UNITS IN QUESTION COST \$17 MILLION TO BUILD, AND PERHAPS MORE IF SEIMENS ROTATING PARTS WERE INCORPORATED. KECO IS UNLIKELY TO TURN DOWN GIFT BY FUJI WHOSE INTEREST IS IN "BUYING INTO" THE KOREAN MARKET TO ESTABLISH FAVORABLE POSITION RE LARGER SAMCHONPO PROJECT. BOILERS, WHICH ARE WORTH \$60 MILLION ARE FEASIBLE TARGET FOR USEXIMBANK. ACCORDING TO SOURCE WITHIN KECO, CE IS PREFERRED, HOWEVER, BOTH EXIM AND COMMERCIAL FUNDING PORTIONS ARE NOT COMPETITIVE WITH JAPANESE FINANCING. ALTHOUGH EPB HAS INDICATED THAT IT WILL GO TO NATIONAL ASSEMBLY FOR A "REPUBLIC OF KOREA" GUARANTEE, KECO WOULD PREFER TO LIMITED OFFICIAL USE

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AVOID THE POSSIBLE TROUBLE AND DELAY, AND SIMPLY GO WITH JAPANESE OFFER WHICH REQUIRES ONLY KDB/KEB GUARANTEE. ADDITIONALLY, USEXIMBANK'S P.C. EXPIRES JUNE 30, AND SHOULD BE EXTENDED TO NOVEMBER 30, 1978.

6. ACTION REQUESTED: THAT EXIMBANK AND US COMMERCIAL BANK ATTEMPT TO BECOME COMPETITIVE WITH JAPANESE TERMS AND CABLE KECO BY JUNE 26 AT THE LATEST IF THEY CAN DO SO. SNEIDER

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